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BEFORE THE ARIZONA CORPORATION COMMISSION

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KRISTIN K. MAYES, Chairman  
GARY PIERCE  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP

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AZ CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

APR 20 2010

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF  
GRANITE MOUNTAIN WATER COMPANY,  
INC. FOR APPROVAL OF A RATE  
INCREASE.

DOCKET NO. W-02467A-09-0333

IN THE MATTER OF THE APPLICATION OF  
GRANITE MOUNTAIN WATER COMPANY,  
INC. FOR APPROVAL OF FINANCINGS.

DOCKET NO. W-02467A-09-0334

**PROCEDURAL ORDER**

**BY THE COMMISSION:**

On June 30, 2009, Granite Mountain Water Company, Inc. ("Granite Mountain") filed with the Arizona Corporation Commission ("Commission") a Rate Application requesting a rate increase that would generate additional annual revenues of \$14,797 ("Rate Application"). Granite Mountain's Rate Application showed that Granite Mountain had three long-term debts outstanding during the 2008 test year ("TY")—a January 2004 loan in the amount of \$27,773.65; a March 2006 loan in the amount of \$26,365; and an April 2007 loan in the amount of \$78,655 (collectively referred to herein as the "three loans"). The Rate Application showed that the total amounts of the three loans were outstanding.

Also on June 30, 2009, in a separate docket, Granite Mountain filed a Financing Application requesting authority to obtain a line of credit in the amount of \$125,000, to be used primarily to fund the design and construction of a 50,000 gallon water storage tank, retaining wall, and required fencing, and requesting authority to issue three promissory notes totaling \$132,793.65, which arose from the three loans ("Financing Application"). Granite Mountain stated in the Financing Application that the three promissory notes had already been paid in full from operations and were no longer outstanding obligations.

1 On July 17, 2009, a Granite Mountain customer filed comments opposing the rate increase in  
2 the Rate Application docket.

3 On July 30, 2009, the Commission's Utilities Division Staff ("Staff") filed a Letter of  
4 Deficiency and Data Request in the Rate Application docket.

5 On August 11, 2009, a Procedural Order was issued consolidating the Rate Application  
6 docket and the Financing Application docket and requiring Granite Mountain to mail each of its  
7 customers notice of the consolidated matter by August 24, 2009, and to file with the Commission, by  
8 September 3, 2009, certification of mailing notice.

9 On August 14, 2009, Granite Mountain filed a response to Staff's Letter of Deficiency and  
10 Data Request. In its response, Granite Mountain provided revised Rate Application pages related to  
11 revenues and its requested rate increase, plant, water loss, long-term debt, bill counts, and its balance  
12 sheet and provided documentation for expenses. Granite Mountain showed its TY revenues as  
13 \$74,122; stated that its water loss during the TY was partially due to non-billed meters that were not  
14 being read and that consumed approximately 1,320,600 gallons during the TY; showed reduced  
15 gallons pumped during the TY; and showed that the three loans were no longer outstanding and that  
16 the entire principal balance for each had been paid during the TY.

17 On August 27, 2009, Granite Mountain filed certification of mailing notice of this  
18 consolidated matter, including a copy of the notice provided to its customers.

19 On September 2, 2009, Staff issued a Second Letter of Deficiency and Data Request.

20 On September 15, 2009, a customer filed comments in opposition to the Rate Application.

21 On September 17, 2009, Granite Mountain filed a response to Staff's Letter of Deficiency and  
22 Data Request. In its response, Granite Mountain provided revised Rate Application pages related to  
23 plant, depreciation, and its balance sheet.

24 On October 19, 2009, Staff issued a Letter of Sufficiency stating that Granite Mountain's  
25 applications had met the Commission's sufficiency requirements and that Granite Mountain had been  
26 classified as a Class D utility.

27 On December 1, 2009, a bundle of documents was filed with the Commission. The  
28 documents, which include a number of handwritten notations, are not accompanied by a cover sheet

1 and do not in any other way identify who filed them. Among other things, the documents show  
2 revised TY operating revenues; revised proposed miscellaneous service charges; and revised plant in  
3 service for the TY. They also include a copy of an "Easement and Agreement for Ninety Nine  
4 Years," dated December 28, 2001, between the Paul D. and Rae Levie Trust, Granite Mountain, and  
5 Daniel Paul Levie ("Easement Agreement"). Under the Easement Agreement, Daniel Paul Levie  
6 grants to Granite Mountain two 20' x 20' permanent well sites together with easements for the two  
7 existing wells, well sites, well houses, main lines, water lines, pumps, and other facilities as they exist  
8 in, on, and over two properties owned by him, in return for which Granite Mountain provides Daniel  
9 Paul Levie the sum of \$10.00 plus free use of water on one of the properties, a discounted price for  
10 the use of water on the other property, and forgiveness of existing accumulated charges for the first  
11 property.

12 On January 4, 2010, Staff filed its Staff Report for the Rate Application and Financing  
13 Application, recommending that the Rate Application be approved using Staff's recommended rates  
14 and charges and that the Financing Application be denied. Because Staff recommended a larger  
15 revenue requirement than requested by Granite Mountain, Staff recommended that Granite Mountain  
16 notify its customers of Staff's recommended increase in revenue and rates. Regarding the Financing  
17 Application, Staff stated that the line of credit for which Granite Mountain requests approval has  
18 already been secured by Granite Mountain without approval; that Granite Mountain has already  
19 drawn on the line of credit; and that the construction project for which the line of credit was to be  
20 used has already been completed with the exception of connecting the new storage tank to the  
21 existing system. Staff added that Granite Mountain has not yet obtained an Approval to Construct  
22 from the Arizona Department of Environmental Quality. Staff stated that the line of credit is not a  
23 loan and recommends that it be classified as paid-in capital, which needs no Commission approval.  
24 Staff further stated that the other three loans included in the Financing Application need no further  
25 consideration as they are paid in full.

26 Granite Mountain did not file a response to the Staff Report and did not make a filing  
27 indicating that its customers have been provided notice of Staff's recommended increase in revenue  
28 and rates.

1 On March 17, 2010, a Procedural Order was issued stating that the record in this matter is  
2 insufficient to allow the Commission to reach a decision on either Granite Mountain's Rate  
3 Application or its Financing Application; scheduling a procedural conference for March 29, 2010, to  
4 discuss the questions that remain unanswered in the record and how the matter should proceed; and  
5 suspending the timeframe in this matter.

6 On March 29, 2010, the procedural conference proceeded as scheduled at the Commission's  
7 offices in Phoenix, Arizona. Granite Mountain appeared through Paul D. Levie, who is a licensed  
8 Arizona attorney. Staff appeared through counsel. The parties were advised that numerous questions  
9 remain unanswered in the record and were provided an opportunity to discuss amongst themselves  
10 how the questions should be answered and how the matter should proceed. The parties agreed that  
11 they would like to have a Procedural Order issued memorializing the questions, to which they would  
12 respond in writing. Neither indicated a desire to hold a hearing. It was determined that the  
13 Procedural Order would also address the notice to be provided to Granite Mountain's customers.

14 On March 30, 2010, a Procedural Order was issued setting forth the questions to be answered  
15 by each party, establishing a schedule for the parties' filings, and requiring Granite Mountain to  
16 provide notice to its customers and to file certification of such notice.

17 On April 19, 2010, Staff docketed its responses to the questions posed in the Procedural  
18 Order, and Granite Mountain provided its responses directly to the Hearing Division.<sup>1</sup>

19 Also on April 19, 2010, a letter from Gary Fujinami, a Granite Mountain customer, was filed,  
20 in which Mr. Fujinami states that he is "filing a motion to intervene and protest the increase of the  
21 water rates." Mr. Fujinami did not state whether he desires a formal evidentiary hearing to be held  
22 and did not indicate in any way that a copy of his document had been sent to Granite Mountain or its  
23 counsel.

24 Because it is unclear whether Mr. Fujinami desires to participate in this matter as an  
25 intervenor or only to provide public comment, and it is unclear whether Mr. Fujinami desires for a  
26 formal evidentiary hearing to be held, it is appropriate to require Mr. Fujinami to file a document

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28 <sup>1</sup> Granite Mountain has since been directed by Hearing Division staff to file its responses in this docket, as required by the Procedural Order of March 30, 2010. Granite Mountain is reminded that it also must file its certification of notice.

1 clarifying his position on these two points. In addition, it is appropriate to require Granite Mountain  
2 and Staff to file responses to Mr. Fujinami's filing required herein.

3 IT IS THEREFORE ORDERED that **Gary Fujinami shall, by April 30, 2010, file** with the  
4 Commission's Docket Control, in this docket, a document clarifying whether he desires to participate  
5 in this matter as an intervenor or desires only to provide public comment; stating whether he desires  
6 for a formal evidentiary hearing to be held in this matter; and, if he desires for a formal evidentiary  
7 hearing to be held, stating the reasons for holding such a hearing. Mr. Fujinami shall ensure that a  
8 copy of the document is sent to Granite Mountain or its counsel and to counsel for Staff.

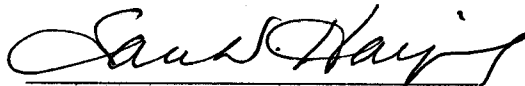
9 IT IS FURTHER ORDERED that **Granite Mountain and Staff shall, by May 14, 2010, file**  
10 responses to Mr. Fujinami's filing required herein.

11 IT IS FURTHER ORDERED that all parties must comply with Rules 31 and 38 of the Rules  
12 of the Arizona Supreme Court and A.R.S. § 40-243 with respect to the practice of law and admission  
13 *pro hac vice*.

14 IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 - Unauthorized  
15 Communications) applies to this proceeding and shall remain in effect until the Commission's  
16 Decision in this matter is final and non-appealable.

17 IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive  
18 any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

19 DATED this 20th day of April, 2010.

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22 SARAH N. HARPRING  
23 ADMINISTRATIVE LAW JUDGE  
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1 Copies of the foregoing mailed/delivered  
2 this 20<sup>th</sup> May of April, 2010, to:

3 Paul D. Levie  
4 GRANITE MOUNTAIN WATER COMPANY, INC.  
5 2465 West Shane Drive  
6 Prescott, Arizona 86305  
7 Attorney for Granite Mountain Water Company, Inc.

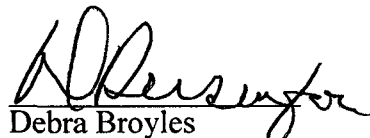
8 Matthew Lauterbach, Chief Operating Officer  
9 GRANITE MOUNTAIN WATER COMPANY, INC.  
10 2465 West Shane Drive  
11 Prescott, Arizona 86305

12 Gary Fujinami  
13 PO Box 12616  
14 7280 Racetrack Road  
15 Prescott, Arizona 86304

16 Janice Alward, Chief Counsel  
17 Legal Division  
18 ARIZONA CORPORATION COMMISSION  
19 1200 W. Washington Street  
20 Phoenix, Arizona 85007

21 Steven M. Olea, Director  
22 Utilities Division  
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24 1200 W. Washington Street  
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26 By:

27   
28 Debra Broyles  
Secretary to Sarah N. Harpring